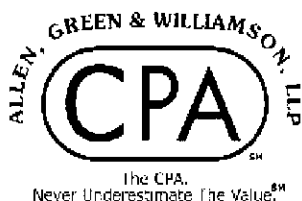


**Housing Authority of the City
of Hammond
Hammond, Louisiana**

**Annual Financial Report
As of and for the Year Ended December 31, 2013**

**Housing Authority of the City of Hammond
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Independent Auditor's Report

Board of Commissioners
Housing Authority of the City of Hammond
Hammond, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund of the Housing Authority of the City of Hammond, Louisiana, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Summary of Opinions

Opinion Unit	Type of Opinion
Jackson Square Rural Development – major fund	Unmodified
Tenant Based Rental Assistance – major fund	Qualified

Basis for Qualified Opinion on the Tenant Based Rental Assistance (major fund)

As discussed in Note 15 to the financial statements, management was not updating all residents' utility allowances for the changes to the utility allowance schedule at the time of re-examinations, as required under the Tenant Based Rental Assistance major fund. This resulted in an estimated liability to be recorded for the current fiscal year for amounts that were underpaid by the Housing Authority. However, the amounts underpaid in prior years could not be determined. Accounting principles generally accepted in the United State of America require that all obligations be recorded, which would increase liabilities and decrease unrestricted net position. The amount by which this departure would affect the liabilities and prior year unrestricted net position in the Tenant Based Rental Assistance major fund has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on the Tenant Based Rental Assistance (major fund)" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Tenant Based Rental Assistance major fund of the Housing Authority of the City of Hammond, Louisiana, as of December 31, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Jackson Square Rural Development major fund of the Housing Authority of the City of Hammond, Louisiana, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the City of Hammond's basic financial statements. The accompanying supplementary information, as listed in the table of contents, the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the other information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information, as listed in the table of contents, and the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information, as listed in the table of contents, and the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying other information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2014 on our consideration of the Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority's internal control over financial reporting and compliance.

Allen, Green & Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
September 30, 2014

Required Supplementary Information

Management's Discussion & Analysis (MD&A)

Housing Authority of the City of Hammond
Management's Discussion and Analysis (MD&A)
December 31, 2013

The management of the Housing Authority of the City of Hammond, Hammond, Louisiana presents the following discussion and analysis (MD&A) of the Housing Authority's financial activities for the fiscal year ending December 31, 2013. This represents an overview of financial information. Please read this discussion and analysis in conjunction with the Housing Authority's included audited financial statements.

FINANCIAL HIGHLIGHTS

- The primary source of funding for these activities continues to be subsidies and grants from the United States Department of Housing and Urban Development (HUD). Additionally, the Housing Authority also receives rental subsidy from the United States Department of Agriculture (USDA) for the Jackson Square Rural Development.
- The Housing Authority's assets exceeded its liabilities by \$463,408 at the close of the fiscal year ended 2013.
 - The Housing Authority has a deficit for net investment in capital assets of \$15,754 due to amounts owed in notes payable on the Jackson Square Rural Development exceeds the net book value of the capital assets.
 - The remainder of \$479,162 is unrestricted net position which could be used to meet the Housing Authority's ongoing obligations to citizens and creditors.
- The Jackson Square Rural Development fund had a net position of \$63,236, which is an increase of \$7,360.
- The Tenant Based Rental Assistance fund had a net position of \$400,172, which is a decrease of \$46,780 from the prior year.
- The Housing Authority's overall total net position decreased by \$39,420 due mainly to an increase in total liabilities, offset by an increase in total assets for the 2013 fiscal year.
- The Housing Authority's overall operating revenues decreased by \$29,914 during the current fiscal year due to a reduction of federal grants received for operations.
- The Housing Authority's overall operating expenses decreased by \$144,793 during the current fiscal year due to decreases primarily in administrative and tenant services expenses, as well as, housing assistance payments.

The Housing Authority administers federal grants to benefit the low income, elderly and disabled citizen of the City of Hammond. The Housing Authority also administers a federal grant to benefit homeless individuals of the City of Hammond.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the Housing Authority's basic financial statements. The Housing Authority is a special-purpose government engaged in business-type activities. Accordingly, only fund financial statements are presented as the basic financial statements, comprised of two components: (1) fund financial statements and (2) a series of notes to the financial statements. These provide information about the activities of the Housing Authority as a whole and present a longer-term view of the Housing Authority's finances. This report also contains other supplemental information in addition to the basic financial statements themselves demonstrating how projects funded by HUD have been completed, and whether there are inadequacies in the Housing Authority's internal controls.

Reporting on the Housing Authority as a Whole

One of the most important questions asked about the Housing Authority's finances is, "Is the Housing Authority as a

**Housing Authority of the City of Hammond
Management's Discussion and Analysis (MD&A)
December 31, 2013**

whole better off, or worse off, as a result of the achievements of fiscal year 2013?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position report information about the Housing Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets, liabilities and deferred outflows/inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Fund Financial Statements

All of the funds of the Housing Authority are reported as proprietary funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Housing Authority, like other enterprises operated by state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Housing Authority's financial statements report its net position and changes in them. One can think of the Housing Authority's net position – the difference between assets, liabilities and deferred outflows/inflows of resources – as one way to measure the Housing Authority's financial health, or financial position. Over time, increases and decreases in the Housing Authority's net position are one indicator of whether its financial health is improving or deteriorating. One will need to consider other non-financial factors, however, such as the changes in the Housing Authority's occupancy levels or its legal obligations to HUD, to assess the overall health of the Housing Authority.

USING THIS ANNUAL REPORT

The Housing Authority's annual report consists of financial statements that show combined information about the Housing Authority's most significant programs:

- Jackson Square Rural Development
- Section 8 Housing Choice Vouchers
- Successful Transition/Continuum of Care grant

The Housing Authority's auditors provided varying degrees of assurance in their independent auditor's report with which this MD&A is included. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditor's report carefully to determine the level of assurance provided for each of the other parts of this report.

Reporting the Housing Authority's Most Significant Funds

The Housing Authority's financial statements provide detailed information about the most significant funds. Some funds are required to be established by the Department of Housing and Urban Development (HUD) and United States Department of Agriculture (USDA). However, the Housing Authority establishes other funds to help it control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using grants and other money.

The Housing Authority's enterprise funds use the following accounting approach for Proprietary funds: All of the Housing Authority's services are reported in enterprise funds. The focus of proprietary funds is on income measurement, which, together with the maintenance of net position, is an important financial indicator.

**Housing Authority of the City of Hammond
Management's Discussion and Analysis (MD&A)
December 31, 2013**

FINANCIAL ANALYSIS

The Housing Authority's net position was \$463,408 as of December 31, 2013. Of this amount, (\$15,754) was net investment in capital assets and the remaining \$479,162 was unrestricted.

**Table 1
Net Position
December 31,**

	2013	2012
ASSETS		
Current and other assets	\$ 509,832	\$ 499,277
Restricted assets	51,738	47,029
Capital assets	252,296	271,945
Total assets	<u>813,866</u>	<u>818,251</u>
LIABILITIES		
Current and other liabilities	89,649	44,427
Noncurrent liabilities	260,809	270,996
Total liabilities	<u>350,458</u>	<u>315,423</u>
NET POSITION		
Net investment in capital assets	(15,754)	(10,495)
Restricted net position	-	6,153
Unrestricted net position	479,162	507,170
Total net position	<u>\$ 463,408</u>	<u>\$ 502,828</u>

The net position of these funds decreased by \$39,420, or by 7.8%, from those of fiscal year 2012, as explained below. In the narrative that follows, the detail factors causing this change are discussed.

Housing Authority of the City of Hammond
Management's Discussion and Analysis (MD&A)
December 31, 2013

Table 2
Revenues, Expenses and Changes in Fund Net Position
For the Years Ended December 31,

	2013	2012
OPERATING REVENUES		
Federal grants for operations	\$ 2,094,285	\$ 2,129,167
Tenant rental revenue	33,563	27,976
Other operating revenue	84,040	84,659
Total operating revenues	<u>2,211,888</u>	<u>2,241,802</u>
OPERATING EXPENSES		
Administrative	277,650	313,069
Tenant services	37,244	111,956
Utilities	5,190	4,435
Ordinary maintenance and operations	41,081	33,398
General	32,960	37,370
Housing assistance payments	1,835,484	1,874,174
Depreciation	19,649	19,649
Total operating expenses	<u>2,249,258</u>	<u>2,394,051</u>
Income (loss) from operations	<u>(37,370)</u>	<u>(152,249)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest earnings	706	1,736
Interest expenses	(2,756)	(2,899)
Total non-operating expenses (expenses)	<u>(2,050)</u>	<u>(1,163)</u>
	.	
NET INCREASE (DECREASE) IN NET POSITION	(39,420)	(153,412)
NET POSITION, beginning of fiscal year	<u>502,828</u>	<u>656,240</u>
NET POSITION, end of fiscal year	<u>\$ 463,408</u>	<u>\$ 502,828</u>

EXPLANATIONS OF FINANCIAL ANALYSIS

Compared with the prior fiscal year, total operating and non-operating revenues decreased by \$30,944, or by 1%, from a combination of larger offsetting factors. Reasons for most of this change are listed below:

- Federal revenues from HUD for operations increased by \$11,315, or by .6% from that of the prior fiscal year. This is due to a reduction of operating grants received from the housing choice voucher and the homeless grant programs during the current fiscal year.
- Federal revenues from USDA decreased by \$3,602 from that of the prior fiscal year due to reduced amounts received from the rural development program.
- Total other operating revenue decreased \$619 from that of the prior fiscal year.
- Total tenant revenue increased by \$5,587 or less than 20% from that of the prior fiscal year due to the amount of rent each tenant pays which is based on a sliding scale of their personal income. Some tenants' personal income increased, so rent from those tenants increased accordingly, raising the overall total.

**Housing Authority of the City of Hammond
Management's Discussion and Analysis (MD&A)
December 31, 2013**

Compared with the prior fiscal year, total operating expenses decreased \$144,793, or by 6.1%, from the prior fiscal year. This was mainly due to:

- Decreases in administrative expenses of \$35,419 or 11.3%.
- Decreases in tenant services expenses of \$74,712 or 66.7%.
- Decreases in general expenses of \$4,410 or 11.8%.
- Decreases in housing assistance payments of \$38,690 or 2.1%.
- Increases in utilities and ordinary maintenance and operations expenses of \$8,438 or 22.3%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2013, the Housing Authority had a total of \$252,296 in capital assets, including depreciation. The Housing Authority did not have any additions in capital assets for the fiscal year ended December 31, 2013. More detailed information about capital assets appears in Note 4 to the financial statements.

**Capital Assets, Net of Accumulated Depreciation
As of December 31,**

	2013	2012
Land	\$ 35,560	\$ 35,560
Buildings and improvements	743,061	743,061
Furniture and equipment	19,338	19,338
Accumulated depreciation	(545,663)	(526,014)
Total	<u>\$ 252,296</u>	<u>\$ 271,945</u>

Debt

As of December 31, 2013, the Housing Authority had total debt outstanding of \$268,050 for the USDA loan on the Jackson Square Rural Development. The balance of the total outstanding debt at year end represents a decrease of \$14,390 from the previous year. See Note 8 to the financials for further information.

Non-current liabilities also include accrued annual vacation leave due to employees. The Housing Authority has not incurred any mortgages, leases, or bond indentures for financing capital assets or operations.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. The Housing Choice Voucher program funding is based on actual housing assistance paid and the number of vouchers housed. However, each year HUD prorates the funding for administrative fees based on the Federal budget.

**Housing Authority of the City of Hammond
Management's Discussion and Analysis (MD&A)
December 31, 2013**

CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, investors, and creditors with a general overview of the Housing Authority's finances, and to show the Housing Authority's accountability for the money it receives. If you have questions about this report, or wish to request additional financial information, contact the Executive Director at Housing Authority of the City of Hammond, Louisiana; 411 West Coleman Ave., Hammond, LA 70403.

Basic Financial Statements

HOUSING AUTHORITY OF THE CITY OF HAMMOND

ENTERPRISE FUNDS Statement of Net Position December 31, 2013

Statement A

	JACKSON SQUARE RURAL DEVELOPMENT	TENANT BASED RENTAL ASSISTANCE	TOTAL
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 24,399	\$ 440,191	\$ 464,590
Receivables	-	22,721	22,721
Prepaid items	10,944	10,577	21,521
Other assets	-	1,000	1,000
Restricted Assets			
Cash and cash equivalents	51,738	-	51,738
Total Current Assets	87,081	474,489	561,570
Noncurrent Assets			
Capital Assets			
Land, buildings, and equipment (net)	252,296	-	252,296
Total Noncurrent Assets	252,296	-	252,296
TOTAL ASSETS	339,377	474,489	813,866
LIABILITIES			
Current Liabilities			
Accounts payable	1,760	57,520	59,280
Accrued wages payable	-	3,723	3,723
Accrued compensated absences	-	3,766	3,766
Unearned revenue	-	2,077	2,077
Interest payable	81	-	81
Notes payable	14,472	-	14,472
Current Liabilities Paid with Restricted Assets			
Security deposit liability	6,250	-	6,250
Total Current Liabilities	22,563	67,086	89,649
Noncurrent Liabilities			
Notes payable	253,578	-	253,578
Accrued Compensated absences	-	7,231	7,231
Total Noncurrent Liabilities	253,578	7,231	260,809
TOTAL LIABILITIES	276,141	74,317	350,458
NET POSITION			
Net investment in capital assets	(15,754)	-	(15,754)
Restricted	-	-	-
Unrestricted	78,990	400,172	479,162
TOTAL NET POSITION	\$ 63,236	\$ 400,172	\$ 463,408

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

HOUSING AUTHORITY OF THE CITY OF HAMMOND

ENTERPRISE FUNDS

Statement of Revenues, Expenses, and Changes in Fund Net Position For the Year Ended December 31, 2013

Statement B

	JACKSON SQUARE RURAL DEVELOPMENT	TENANT BASED RENTAL ASSISTANCE	TOTAL
OPERATING REVENUES			
Federal operating grants	\$ 73,243	\$ 2,021,042	\$ 2,094,285
Dwelling rental	33,563	-	33,563
Miscellaneous revenue	3,037	81,003	84,040
Total operating revenues	109,843	2,102,045	2,211,888
OPERATING EXPENSES			
Administrative	21,576	256,074	277,650
Tenant services	-	37,244	37,244
Utilities	4,752	438	5,190
Ordinary maintenance and operation	41,081	-	41,081
General	12,708	20,252	32,960
Housing assistance payments	-	1,835,484	1,835,484
Depreciation	19,649	-	19,649
Total operating expenses	99,766	2,149,492	2,249,258
Income (loss) from Operations	10,077	(47,447)	(37,370)
NONOPERATING REVENUES (EXPENSES)			
Interest earnings	39	667	706
Interest expenses	(2,756)	-	(2,756)
Total nonoperating revenues (expenses)	(2,717)	667	(2,050)
Change in net position	7,360	(46,780)	(39,420)
NET POSITION AT BEGINNING OF YEAR	55,876	446,952	502,828
NET POSITION AT END OF YEAR	\$ 63,236	\$ 400,172	\$ 463,408

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

HOUSING AUTHORITY OF THE CITY OF HAMMOND

**ENTERPRISE FUNDS
Statement of Cash Flows
For the Year Ended December 31, 2013**

Statement C

	JACKSON SQUARE RURAL DEVELOPMENT	TENANT BASED RENTAL ASSISTANCE	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Rental receipts	\$ 34,063	\$ -	\$ 34,063
Other receipts	3,037	81,003	84,040
Payments to vendors	(65,954)	(172,822)	(238,776)
Payments to employees	(14,748)	(203,165)	(217,913)
Payments for rental assistance	-	(1,737,789)	(1,737,789)
Federal grants	73,243	2,264,926	2,338,169
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	29,641	232,153	261,794
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase capital assets	-	-	-
Interest paid on capital debt	(2,697)	-	(2,697)
Payments on capital debt	(14,390)	-	(14,390)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(17,087)	-	(17,087)
CASH FLOW FROM INVESTING ACTIVITIES:			
Interest and dividends	39	667	706
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	39	667	706
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,593	232,820	245,413
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	63,544	207,371	270,915
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 76,137	\$ 440,191	\$ 516,328
RECONCILIATION TO THE BALANCE SHEET			
Cash and cash equivalents	\$ 24,399	\$ 440,191	\$ 464,590
Restricted deposits	51,738	-	51,738
TOTAL CASH AND CASH EQUIVALENTS	\$ 76,137	\$ 440,191	\$ 516,328

(Continued)

HOUSING AUTHORITY OF THE CITY OF HAMMOND

ENTERPRISE FUNDS
Statement of Cash Flows
For the Year Ended December 31, 2013

Statement C

	<u>JACKSON SQUARE RURAL DEVELOPMENT</u>	<u>TENANT BASED RENTAL ASSISTANCE</u>	<u>TOTAL</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 10,077	\$ (47,447)	\$ (37,370)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	19,649	-	19,649
Change in assets and liabilities:			
(Increase) decrease receivables, net	-	230,194	230,194
(Increase) decrease prepaid items	(900)	1,854	954
(Increase) decrease other asset	-	(1,000)	(1,000)
Increase (decrease) accounts payable	315	44,473	44,788
Increase (decrease) accrued wages	-	2,822	2,822
Increase (decrease) compensated absences	-	(820)	(820)
Increase (decrease) unearned revenue	-	2,077	2,077
Increase (decrease) deposit due others	500	-	500
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 29,641</u>	<u>\$ 232,153</u>	<u>\$ 261,794</u>
			(Concluded)

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Housing Authority of the City of Hammond
Notes to the Financial Statements
December 31, 2013

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Housing Authority of the City of Hammond
Notes to the Financial Statements
December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES The accompanying basic financial statements of the Housing Authority of the City of Hammond have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. REPORTING ENTITY Housing Authorities are chartered as public corporations under the laws (LSA-R.S. 40:391) of the state of Louisiana for the purpose of providing safe and sanitary dwelling accommodations. This creation was contingent upon the local governing body of the city declaring a need for the Housing Authority to function in such city. The Housing Authority is governed by a five-member Board of Commissioners. The members, appointed by the Honorable Mayor of the City of Hammond, serve a staggered term of five years.

The Housing Authority programs are as follows:

<u>Program</u>	<u>Number of Units/Vouchers</u>
Rural Development	20
Housing Choice Voucher	321
Homeless Grant-Successful Transition/Continuum of Care	13

GASB standards establish criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. The Housing Authority is considered a *primary government*, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB standards, fiscally independent means that the Housing Authority may, without the approval or consent of another governmental entity, determine or modify its own budget, control collection and disbursements of funds, maintain responsibility for funding deficits and operating deficiencies, and issue bonded debt.

Although the City appoints the Housing Authority's governing board, the City is not financially accountable for the Housing Authority as it cannot impose its will on the Authority and there is no potential for the Housing Authority to provide financial benefit to or impose financial burdens on the City. Accordingly, the Housing Authority is not a component unit of the City nor does the Housing Authority have any component units as defined by the GASB standards.

B. FUNDS The accounts of the Housing Authority are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

All funds of the Housing Authority are classified as proprietary. The Jackson Square Rural Development fund accounts for the transactions of Jackson Square Rural Development, which is funded by dwelling rent and USDA grant subsidy. The Tenant Based Rental Assistance fund accounts for the activities/transactions associated with the Section 8 Housing Choice Voucher Program and the Successful Transition/Continuum of Care Program which are mainly funded by HUD.

Housing Authority of the City of Hammond
Notes to the Financial Statements
December 31, 2013

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Proprietary funds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. With this measurement focus all assets, liabilities and deferred outflows/inflows of resources associated with the operation of these funds are included on the statement of net position.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the Housing Authority's enterprise funds are Section 8 Housing Assistance Subsidies and Administrative Fees and USDA operating grants and subsidies. Operating expenses for proprietary funds include the Section 8 Housing Assistance Payments, general and administrative costs, tenant services, repairs and maintenance expenses, utilities and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. CASH AND CASH EQUIVALENTS Cash includes cash on hand and amounts in demand deposits and short term investments with original maturities of 90 days or less from the date of acquisition. Under state law, the Housing Authority may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the Housing Authority may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

The restricted assets consist of deposits placed by new residents to secure payment of their rents upon default by residents and to cover damages upon move-out as well as amounts deposited into a separate reserve account by the Housing Authority as required by certain debt covenants.

E. INVESTMENTS Investments are limited by R.S. 33:2955 and the Housing Authority's investment policy. If the original maturities of investments exceed 90 days they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

The investments are reflected at quoted market prices except for the following which are required/permitted as per GASB Statement No. 31:

Investments in nonparticipating interest-earning contracts, such as nonnegotiable certificates of deposit with redemption terms that do not consider market rates, are reported using a cost-based measure.

The Housing Authority reported at amortized cost money market investments participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less.

Definitions:

Interest-earning investment contract include time deposits with financial institutions (such as certificates of deposit), repurchase agreements, and guaranteed investment contracts.

Money market investments are short-term, highly liquid debt instruments that include U. S. Treasury obligations.

Housing Authority of the City of Hammond
Notes to the Financial Statements
December 31, 2013

F. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES During the course of operations, transactions occur between individual funds for services rendered. These receivables and payables are classified as due from other funds or due to other funds on the statement of net position. Short-term interfund loans are classified as interfund receivables/payables.

G. INVENTORY AND PREPAID ITEMS All inventory items are valued at cost using first-in, first-out method. Inventory is recorded using the purchase method. At year end the amount of inventory is recorded for external financial reporting. Inventories consist of expendable building materials and supplies held for consumption in the course of the authority's operations.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid expenses consist of prepaid insurance.

H. CAPITAL ASSETS Capital assets are recorded at actual cost. The capitalization threshold is \$500. Depreciation of all exhaustible capital assets is charged as an expense against operations. Property, plant and equipment of the Housing Authority is depreciated using the straight line method over the following useful lives:

Buildings	40 years
Modernization and improvements	25-40 years
Furniture and fixtures	5 years

I. ALLOWANCE FOR DOUBTFUL ACCOUNTS The Housing Authority provides an allowance for doubtful accounts deemed not collectable. At December 31, 2013, management expects to receive all accounts receivable balances in full; therefore, the Housing Authority did not establish an allowance for doubtful accounts.

J. COMPENSATED ABSENCES It is the Housing Authority's policy to permit employees to accumulate earned but unused vacation pay benefits. In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences," vacation pay is accrued when incurred and reported as a liability.

Employees earn from 40 to 160 hours per year in vacation time. Employees may accumulate an unlimited number of vacation time hours. Depending upon their length of service, employees receive payment for up to 80 vacation time hours upon termination or retirement at their then current rate of pay. The cost of current leave privileges, computed in accordance with GASB Codification, is recognized as a current year expense when leave is earned.

K. UNEARNED REVENUES The Housing Authority reports unearned revenues on its combined statement of net position. Unearned revenues arise when resources are received by the Housing Authority before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when the Housing Authority has a legal claim to the resources, the liability for unearned revenue is removed from the combined statement of net position and the revenue is recognized.

L. RESTRICTED NET POSITION Net position is reported as restricted when constraints placed on net position use are either:

- externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments, or
- imposed by law through constitutional provisions or enabling legislation.

Restricted resources are used first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Housing Authority of the City of Hammond
Notes to the Financial Statements
December 31, 2013

M. INTERFUND ACTIVITY Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate. Services provided, deemed to be at market, or near market rates, are treated as revenues and expenses. All other interfund transfers are reported as transfers. Reimbursements are when one fund incurs a cost, changes the benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

N. USE OF ESTIMATES The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred outflows/inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CASH AND CASH EQUIVALENTS As of December 31, 2013, the Housing Authority's carrying amount of deposits was \$516,328, which \$51,738 is reported as restricted assets, and the bank balance was \$521,876.

Interest Rate Risk: The Housing Authority's policy does not address interest rate risk.

Credit Rate Risk: The Housing Authority's policy does not address credit rate risk.

Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Of the bank balance, \$331,152 was covered by federal depository insurance or by collateral held by the Housing Authority's agent in the Housing Authority's name. The remaining bank balance of \$190,724 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the Housing Authorities name.

NOTE 3 - RECEIVABLES The receivables at December 31, 2013, are as follows:

<u>Class of Receivables</u>	<u>Tenant Based Rental Assistance</u>
Federal grants	\$ 18,825
Other	3,896
Total	<u>\$ 22,721</u>

No allowance for doubtful accounts has been established as the Housing Authority expects to collect the full balance.

Housing Authority of the City of Hammond
Notes to the Financial Statements
December 31, 2013

NOTE 4 - CAPITAL ASSETS The changes in capital assets are as follows:

	Balance Beginning	Additions	Deletions	Balance Ending
Non depreciable capital assets:				
Land	\$ 35,560	\$ -	\$ -	\$ 35,560
Depreciable assets:				
Buildings & Site Improvements	743,061	-	-	743,061
Furniture and equipment	19,338	-	-	19,338
Total depreciable capital assets	762,399	-	-	762,399
Less accumulated depreciation				
Buildings & Site Improvements	506,676	19,649	-	526,325
Furniture and equipment	19,338	-	-	19,338
Total accumulated depreciation	526,014	19,649	-	545,663
Depreciable capital assets, net	236,385	(19,649)	-	216,736
Capital assets, net	\$ 271,945	\$ (19,649)	\$ -	\$ 252,296

NOTE 5 - RETIREMENT PLAN The Housing Authority participates in the Louisiana Housing Council Group Retirement Plan which is a defined contribution plan. The plan consists of employees of various local and regional housing authorities, which are members of the Louisiana Housing Council. Through this plan, the Housing Authority provides pension benefits for all of its full-time employees. All full-time employees who have attained age 18 are eligible to participate in the plan on the first day of the month after completing three months of continuous and uninterrupted employment.

Under a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The employer is required to make monthly contributions equal to 8 percent of each participant's basic (excludes overtime) compensation. Employees are required to contribute 6 percent of their annual covered salary.

The Housing Authority's contribution for each employee and income allocated to the employee's account is fully vested after five years of continuous service. The Housing Authority's contributions and interest forfeited by employees who leave employment before five years of service are used to offset future contributions of the Housing Authority.

Normal retirement date shall be the first day of the month following the employee's sixty-fifth birthday. Early retirement may be elected on the first day of any month within 10 years of the employee's normal retirement date, provided the employee has completed five years of service with the Housing Authority. With the Housing Authority's consent, employees may defer retirement to the first day of any month beyond normal retirement date.

The Housing Authority's total payroll for year ended December 31, 2013, was \$194,466. The Housing Authority's contributions were calculated using the base salary amount of \$105,828. The Housing Authority made the required contributions of \$16,076 for the year ended December 31, 2013, of which \$8,038 was paid by the Housing Authority and \$8,038 was paid by employees.

Housing Authority of the City of Hammond
Notes to the Financial Statements
December 31, 2013

NOTE 6 - ACCOUNTS PAYABLES At December 31, 2013, the Housing Authority's accounts payable were as follows:

	Jackson Square Rural Development	Tenant Based Rental Assistance	Total
Vendors	\$ 1,760	\$ 20,443	\$ 22,203
HUD	-	10,651	10,651
Housing assistance payments	-	26,426	26,426
	<u>\$ 1,760</u>	<u>\$ 57,520</u>	<u>\$ 59,280</u>

See Note 15 for additional information regarding accounts payable for housing assistance payments.

NOTE 7 - COMPENSATED ABSENCES At December 31, 2013, employees of the Housing Authority have accumulated and vested \$10,997 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. These amounts are recorded as liabilities in the funds from which payment will be made. The leave payable is recorded in the accompanying financial statements. Of this amount, \$7,231 is reported in long-term debt; see Note 8 for further details.

NOTE 8 - LONG TERM OBLIGATIONS The long-term liability at December 31, 2013 represents a housing revenue note payable to the United States Department of Agriculture, Rural Development Administration under the Rural Rental Housing Loan Program (CFDA# 10.415). The note is due in monthly installments of \$1,424 through January 2031, with an annual interest rate of 13.25%. The following is a summary of the changes in long-term obligations for the note payable for the year ended December 31, 2013:

	Note Payable
Balance, beginning	\$ 282,440
Additions	-
Deductions	14,390
Balance, ending	<u>\$ 268,050</u>
Amount due within one year	<u>\$ 14,472</u>

Because of the variable terms of the USDA program (CFDA# 10.415), it is not possible to determine exactly what the long-term debt amortization is. The estimated annual requirements to amortize long-term debt outstanding at December 31, 2013 are as follow:

Year Ending December 31,	Principal	Interest	Total
2014	\$ 14,472	\$ 2,616	\$ 17,088
2015	14,618	2,470	17,088
2016	14,765	2,323	17,088
2017	14,913	2,175	17,088
2018	15,063	2,025	17,088
2019-2023	77,614	7,826	85,440
2024-2028	81,592	3,848	85,440
2029-2031	35,013	382	35,395
Total	<u>\$ 268,050</u>	<u>\$ 23,665</u>	<u>\$ 291,715</u>

Housing Authority of the City of Hammond
Notes to the Financial Statements
December 31, 2013

The Housing Authority has also entered into an interest credit and rental assistance agreement with USDA, Rural Development under which the Housing Authority earns a credit against the interest payable on the mortgage note. The Credit may result in an effective interest rate as low as one percent (1%). USDA, Rural Development may terminate the interest credit agreement if it is determined that no subsidy is necessary or if the Housing Authority is determined to be in noncompliance with the loan agreement or other applicable USDA, Rural Development rules or regulations. The note is due in monthly installment over a fifty (50) year period through January 2031, with a stated annual interest of 13.25%; however, the current annual interest being charged and paid is one percent (1%), the latter is how management has chosen to present the liability on the financial statements.

Also included in the long-term debt as of December 31, 2013, is \$7,231 which represents the long-term portion of compensated absences. The following is a summary of the changes in long-term obligations for compensated absences for the year ended December 31, 2013:

	Compensated Absences
Balance, beginning	\$ 11,818
Additions	6,982
Deductions	7,803
Balance, ending	<u>\$ 10,997</u>
 Amount due within one year	 <u>\$ 3,766</u>

NOTE 9 - RESERVED FUND ACCOUNT During 1982, the Housing Authority received a \$659,140 loan from USDA, Rural Development (CFDA #10.415) for the construction of housing accommodations for disabled and low income individuals. The loan agreement requires the establishment of a reserve fund bank account. The Housing Authority must transfer into this fund an amount not less than \$6,600 annually. At December 31, 2013, the Housing Authority had a balance of \$45,138 in the reserve account.

The following is summary of the changes in the reserve fund balance for the year ended December 31, 2013:

	Reserve Fund Account
Balance as of January 1, 2013	\$35,126
Additions	10,012
Deductions	-
Balance as of December 31, 2013	<u>\$45,138</u>

NOTE 10 - RENTAL SERVICE AGREEMENT The Housing authority has entered into a contract with USDA, Rural Development that provides rental assistance payments on behalf of eligible lower income persons or families. Under this contract, the Housing Authority agrees to rent only to eligible persons or families at USDA Rural Development approved rates and to adhere to certain rules of operation. USDA Rural Development may, at its option, terminate the contract if the Housing Authority is determined to be in noncompliance with the USDA Rural Development loan agreement or other applicable USDA Rural Development rules or regulations. USDA, Rural Development may also reduce the number of units covered by the contract should it determine that there is a lack of eligible tenants in the area.

Housing Authority of the City of Hammond
Notes to the Financial Statements
December 31, 2013

NOTE 11 - POST EMPLOYMENT BENEFITS The Housing Authority does not provide post employment health benefits; therefore, the Housing Authority does not include any entries for unfunded actuarial accrued liability, net OPEB expense, or annual contribution required.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Litigation The Housing Authority is not presently involved in any litigation.

Grant Disallowances The Housing Authority participates in a number of federally assisted grant programs. Although the grant programs have been audited in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133 through December 31, 2013, these programs are still subject to compliance audits. Housing Authority management believes that the amount of disallowances, if any, which may arise from future audits will not be material.

NOTE 13 - RISK MANAGEMENT The Housing Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Housing Authority's risk management program encompasses obtaining property and liability insurance.

The Housing Authority transfers risk of loss by participating in public entity risk pool and contracting with a commercial insurance carrier for all major categories of exposed risk. This includes coverage of property, general liability, public liability, and workers compensation. The risk pool and insurance contracted are obligated to meet settlements up to the maximum coverage, after the Housing Authority's deductions are met.

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, there have been no significant claims that have exceeded commercial insurance coverages in any of the past three fiscal years.

NOTE 14 - ECONOMIC DEPENDENCE Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) requires disclosure in financial statements of a situation where one entity provides more than 10% of the audited entity's revenues. The Department of Housing and Urban Development provided \$2,021,042 to the Housing Authority, which represents approximately 91.4% of the Housing Authority's total revenue for the year.

NOTE 15 - HOUSING ASSISTANCE PAYMENTS During the auditor's testing of resident files, it was noted that, although the Housing Authority updates the utility allowance schedule each year, the updated utility allowances are not always being applied during the tenants' annual re-examinations. The Housing Authority did record the estimated amount for the underpayment of housing assistance payments for the fiscal year ended December 31, 2013. This amount represents \$23,156 of the \$26,426 reported in Note 6. The Housing Authority has not estimated the potential liability for those periods prior to fiscal year ending December 31, 2013 and the potential liability for those periods could not be determined.

NOTE 16 - OPERATING LEASE The Housing Authority had entered into an operating lease at September 1, 2013 for twelve months with a monthly rental amount of \$1,000. This lease is for the use of office space for the Continuum of Care Program operations. During the fiscal year ended December 31, 2013, the Housing Authority paid the full amount of the lease of \$12,000 in which \$8,000 is reported as prepaid expense. Therefore, the amount of the operating lease expense for fiscal year ended December 31, 2013 was \$4,000.

Supplementary Information

HOUSING AUTHORITY OF THE CITY OF HAMMOND
FINANCIAL DATA SCHEDULE
As of and For the Year Ended December 31, 2013

LA104

Submission Type: Audited/A-133

	14.871 Housing Choice Vouchers	10.415 Rural Rental Housing Loans	14.IKE DHAP-IKE	14.235 Supportive Housing Program	97.109 Disaster Housing Assistance Grant	14.267 Continuum of Care Program	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$79,647	\$24,399	\$122,453	\$2,896	\$236,397		\$465,792		\$465,792
112 Cash - Restricted - Modernization and Development									
113 Cash - Other Restricted		\$45,138					\$45,138		\$45,138
114 Cash - Tenant Security Deposits		\$6,600					\$6,600		\$6,600
115 Cash - Restricted for Payment of Current Liabilities									
100 Total Cash	\$79,647	\$76,137	\$122,453	\$2,896	\$236,397	\$0	\$517,530		\$517,530
122 Accounts Receivable - HUD Other Projects	\$12,477		\$4,000			\$2,348	\$18,825		\$18,825
124 Accounts Receivable - Other Government	\$1,087						\$1,087		\$1,087
125 Accounts Receivable - Miscellaneous	\$2,810						\$2,810		\$2,810
126 Accounts Receivable - Tenants									
126.1 Allowance for Doubtful Accounts -Tenants									
126.2 Allowance for Doubtful Accounts - Other	\$0		\$0			\$0	\$0		\$0
128 Fraud Recovery									
128.1 Allowance for Doubtful Accounts - Fraud									
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$16,374	\$0	\$4,000	\$0	\$0	\$2,348	\$22,722		\$22,722
131 Investments - Unrestricted									
142 Prepaid Expenses and Other Assets	\$2,577	\$10,944				\$9,000	\$22,521		\$22,521
143 Inventories									
144 Inter Program Due From									
150 Total Current Assets	\$98,598	\$87,081	\$126,453	\$2,896	\$236,397	\$11,348	\$562,773		\$562,773
161 Land		\$35,560					\$35,560		\$35,560
162 Buildings		\$651,457					\$651,457		\$651,457
163 Furniture, Equipment & Machinery - Dwellings		\$16,493					\$16,493		\$16,493

(Continued)

HOUSING AUTHORITY OF THE CITY OF HAMMOND
FINANCIAL DATA SCHEDULE
As of and For the Year Ended December 31, 2013

LA104

Submission Type: Audited/A-133

	14.871 Housing Choice Vouchers	10.415 Rural Rental Housing Loans	14.IKE DHAP-IKE	14.235 Supportive Housing Program	97.109 Disaster Housing Assistance Grant	14.267 Continuum of Care Program	Subtotal	ELIM	Total
164 Furniture, Equipment & Machinery - Administration		\$2,845					\$2,845		\$2,845
165 Leasehold Improvements		\$91,604					\$91,604		\$91,604
166 Accumulated Depreciation		-\$545,663					-\$545,663		-\$545,663
167 Construction in Progress									
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$252,296	\$0	\$0	\$0	\$0	\$252,296		\$252,296
174 Other Assets									
180 Total Non-Current Assets	\$0	\$252,296	\$0	\$0	\$0	\$0	\$252,296		\$252,296
190 Total Assets	\$98,598	\$339,377	\$126,453	\$2,896	\$236,397	\$11,348	\$815,069		\$815,069
290 Total Assets and Deferred Outflow of Resources	\$98,598	\$339,377	\$126,453	\$2,896	\$236,397	\$11,348	\$815,069		\$815,069
311 Bank Overdraft						\$1,202	\$1,202		\$1,202
312 Accounts Payable <= 90 Days	\$44,543	\$1,760		\$1,370		\$956	\$48,629		\$48,629
313 Accounts Payable >90 Days Past Due									
321 Accrued Wage/Payroll Taxes Payable	\$2,971			\$563		\$189	\$3,723		\$3,723
322 Accrued Compensated Absences - Current Portion	\$3,766						\$3,766		\$3,766
324 Accrued Contingency Liability									
325 Accrued Interest Payable		\$81					\$81		\$81
331 Accounts Payable - HUD PHA Programs	\$10,651						\$10,651		\$10,651
333 Accounts Payable - Other Government									
341 Tenant Security Deposits		\$6,250					\$6,250		\$6,250
342 Unearned Revenue	\$2,077						\$2,077		\$2,077
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue		\$14,472					\$14,472		\$14,472
345 Other Current Liabilities									

(Continued)

HOUSING AUTHORITY OF THE CITY OF HAMMOND
FINANCIAL DATA SCHEDULE
As of and For the Year Ended December 31, 2013

LA104

Submission Type: Audited/A-133

	14.871 Housing Choice Vouchers	10.415 Rural Rental Housing Loans	14.IKE DHAP-IKE	14.235 Supportive Housing Program	97.109 Disaster Housing Assistance Grant	14.267 Continuum of Care Program	Subtotal	ELIM	Total
347 Inter Program - Due To									
310 Total Current Liabilities	\$64,008	\$22,563	\$0	\$1,933	\$0	\$2,347	\$90,851		\$90,851
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue		\$253,578					\$253,578		\$253,578
352 Long-term Debt, Net of Current - Operating Borrowings									
353 Non-current Liabilities - Other									
354 Accrued Compensated Absences - Non Current	\$7,231						\$7,231		\$7,231
357 Accrued Pension and OPEB Liabilities									
350 Total Non-Current Liabilities	\$7,231	\$253,578	\$0	\$0	\$0	\$0	\$260,809		\$260,809
300 Total Liabilities	\$71,239	\$276,141	\$0	\$1,933	\$0	\$2,347	\$351,660		\$351,660
508.4 Net Investment in Capital Assets	\$0	-\$15,754					-\$15,754		-\$15,754
511.4 Restricted Net Position									
512.4 Unrestricted Net Position	\$27,359	\$78,990	\$126,453	\$963	\$236,397	\$9,001	\$479,163		\$479,163
513 Total Equity - Net Assets / Position	\$27,359	\$63,236	\$126,453	\$963	\$236,397	\$9,001	\$463,409		\$463,409
600 Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	\$98,598	\$339,377	\$126,453	\$2,896	\$236,397	\$11,348	\$815,069		\$815,069

(Continued)

HOUSING AUTHORITY OF THE CITY OF HAMMOND
FINANCIAL DATA SCHEDULE
As of and For the Year Ended December 31, 2013

LA104

Submission Type: Audited/A-133

	14.871 Housing Choice Vouchers	10.415 Rural Rental Housing Loans	14.IKE DHAP-IKE	14.235 Supportive Housing Program	97.109 Disaster Housing Assistance Grant	14.267 Continuum of Care Program	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue		\$33,563					\$33,563		\$33,563
70400 Tenant Revenue - Other									
70500 Total Tenant Revenue	\$0	\$33,563	\$0	\$0	\$0	\$0	\$33,563	\$0	\$33,563
70600 HUD PHA Operating Grants	\$1,845,707			\$40,530		\$134,805	\$2,021,042		\$2,021,042
70700 Total Fee Revenue							\$0	\$0	\$0
70800 Other Government Grants		\$73,243					\$73,243		\$73,243
71100 Investment Income - Unrestricted	\$649	\$40		\$3		\$15	\$707		\$707
71310 Cost of Sale of Assets									
71400 Fraud Recovery	\$65						\$65		\$65
71500 Other Revenue	\$90,338	\$3,038		\$300		\$300	\$93,976	-\$10,000	\$83,976
71600 Gain or Loss on Sale of Capital Assets									
72000 Investment Income - Restricted	\$0						\$0		\$0
70000 Total Revenue	\$1,936,759	\$109,884	\$0	\$40,833	\$0	\$135,120	\$2,222,596	-\$10,000	\$2,212,596
91100 Administrative Salaries	\$110,835	\$13,200		\$11,102		\$26,962	\$162,099		\$162,099
91200 Auditing Fees	\$11,444	\$500					\$11,944		\$11,944
91400 Advertising and Marketing		\$257					\$257		\$257
91500 Employee Benefit contributions - Administrative	\$19,634	\$1,010		\$849		\$672	\$22,165		\$22,165
91600 Office Expenses	\$29,829	\$4,205		\$1,208		\$9,695	\$44,937		\$44,937
91700 Legal Expense									
91800 Travel	\$1,204					\$2,313	\$3,517		\$3,517
91810 Allocated Overhead									
91900 Other	\$19,287	\$2,405		\$250		\$10,790	\$32,732		\$32,732
91000 Total Operating - Administrative	\$192,233	\$21,577	\$0	\$13,409	\$0	\$50,432	\$277,651	\$0	\$277,651

(Continued)

HOUSING AUTHORITY OF THE CITY OF HAMMOND
FINANCIAL DATA SCHEDULE
As of and For the Year Ended December 31, 2013

LA104

Submission Type: Audited/A-133

	14.871 Housing Choice Vouchers	10.415 Rural Rental Housing Loans	14.IKE DHAP-IKE	14.235 Supportive Housing Program	97.109 Disaster Housing Assistance Grant	14.267 Continuum of Care Program	Subtotal	ELIM	Total
92100 Tenant Services - Salaries				\$7,886		\$19,153	\$27,039		\$27,039
92300 Employee Benefit Contributions - Tenant Services				\$604		\$487	\$1,091		\$1,091
92400 Tenant Services - Other				\$5,000		\$14,114	\$19,114	-\$10,000	\$9,114
92500 Total Tenant Services	\$0	\$0	\$0	\$13,490	\$0	\$33,754	\$47,244	-\$10,000	\$37,244
93100 Water		\$216					\$216		\$216
93200 Electricity		\$4,406				\$438	\$4,844		\$4,844
93300 Gas									
93600 Sewer		\$131					\$131		\$131
93000 Total Utilities	\$0	\$4,753	\$0	\$0	\$0	\$438	\$5,191	\$0	\$5,191
94100 Ordinary Maintenance and Operations - Labor									
94200 Ordinary Maintenance and Operations - Materials and Other		\$9,186					\$9,186		\$9,186
94300 Ordinary Maintenance and Operations Contracts		\$31,895					\$31,895		\$31,895
94000 Total Maintenance	\$0	\$41,081	\$0	\$0	\$0	\$0	\$41,081	\$0	\$41,081
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance		\$9,493					\$9,493		\$9,493
96120 Liability Insurance	\$2,105					\$1,365	\$3,470		\$3,470
96130 Workmen's Compensation	\$2,772	\$824					\$3,596		\$3,596
96140 All Other Insurance	\$2,815	\$2,391					\$5,206		\$5,206
96100 Total insurance Premiums	\$7,692	\$12,708	\$0	\$0	\$0	\$1,365	\$21,765	\$0	\$21,765
96200 Other General Expenses	\$4,211						\$4,211		\$4,211
96210 Compensated Absences	\$6,983						\$6,983		\$6,983
96300 Payments in Lieu of Taxes									

(Continued)

HOUSING AUTHORITY OF THE CITY OF HAMMOND
FINANCIAL DATA SCHEDULE
As of and For the Year Ended December 31, 2013

LA104

Submission Type: Audited/A-133

	14.871 Housing Choice Vouchers	10.415 Rural Rental Housing Loans	14.IKE DHAP-IKE	14.235 Supportive Housing Program	97.109 Disaster Housing Assistance Grant	14.267 Continuum of Care Program	Subtotal	ELIM	Total
96400 Bad debt - Tenant Rents									
96600 Bad debt - Other									
96000 Total Other General Expenses	\$11,194	\$0	\$0	\$0	\$0	\$0	\$11,194	\$0	\$11,194
96710 Interest of Mortgage (or Bonds) Payable		\$2,756					\$2,756		\$2,756
96730 Amortization of Bond Issue Costs									
96700 Total Interest Expense and Amortization Cost	\$0	\$2,756	\$0	\$0	\$0	\$0	\$2,756	\$0	\$2,756
96900 Total Operating Expenses	\$211,119	\$82,875	\$0	\$26,899	\$0	\$85,989	\$406,882	-\$10,000	\$396,882
97000 Excess of Operating Revenue over Operating Expenses	\$1,725,640	\$27,009	\$0	\$13,934	\$0	\$49,131	\$1,815,714	\$0	\$1,815,714
97300 Housing Assistance Payments	\$1,705,719			\$16,349		\$40,130	\$1,762,198		\$1,762,198
97350 HAP Portability-In	\$73,286						\$73,286		\$73,286
97400 Depreciation Expense		\$19,649					\$19,649		\$19,649
97500 Fraud Losses									
90000 Total Expenses	\$1,990,124	\$102,524	\$0	\$43,248	\$0	\$126,119	\$2,262,015	-\$10,000	\$2,252,015
10010 Operating Transfer In									
10020 Operating transfer Out									
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$53,365	\$7,360	\$0	-\$2,415	\$0	\$9,001	-\$39,419	\$0	-\$39,419
11020 Required Annual Debt Principal Payments	\$0	\$17,088	\$0	\$0	\$0	\$0	\$17,088		\$17,088
11030 Beginning Equity	\$80,724	\$55,876	\$126,453	\$3,378	\$236,397	\$0	\$502,828		\$502,828
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors									

(Continued)

HOUSING AUTHORITY OF THE CITY OF HAMMOND
FINANCIAL DATA SCHEDULE
As of and For the Year Ended December 31, 2013

LA104

Submission Type: Audited/A-133

	14.871 Housing Choice Vouchers	10.415 Rural Rental Housing Loans	14.IKE DHAP-IKE	14.235 Supportive Housing Program	97.109 Disaster Housing Assistance Grant	14.267 Continuum of Care Program	Subtotal	ELIM	Total
11170 Administrative Fee Equity	\$27,359						\$27,359		\$27,359
11180 Housing Assistance Payments Equity	\$0						\$0		\$0
11190 Unit Months Available	4263	240		56		88	4647		4647
11210 Number of Unit Months Leased	4017	236		26		42	4321		4321
11270 Excess Cash									
11610 Land Purchases									
11620 Building Purchases									
11630 Furniture & Equipment - Dwelling Purchases									
11640 Furniture & Equipment - Administrative Purchases									

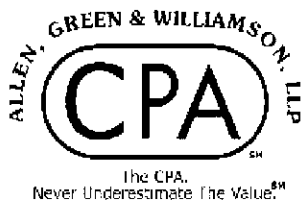
(Concluded)

Housing Authority of the City of Hammond

GENERAL

**SCHEDULE OF COMPENSATION PAID BOARD MEMBERS
For the Year Ended December 31, 2013**

The members of the Board of Commissioners serve without compensation.



ALLEN, GREEN & WILLIAMSON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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Jaime Esswein, CPA, CFE
Jaucia Mercer, CPA, CFE

Ernest L. Allen, CPA
(Retired) 1963 - 2000

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

Board of Commissioners
Housing Authority of the City of Hammond
Hammond, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major fund of the Housing Authority of the City of Hammond as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements, and have issued our report thereon dated September 30, 2014. The opinion on the Tenant Based Rental Assistance major fund was qualified because the amount of underpaid residents for utility allowances at the beginning of the year could not be determined.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Housing Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001 that we consider to be a significant deficiency.

Compliance and Other Matters

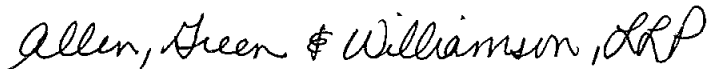
As part of obtaining reasonable assurance about whether the Housing Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings and Questioned costs as item 2013-002.

The Housing Authority's Response to Findings

The Housing Authority's response to the findings identified in our audit is described in the accompanying Corrective Action Plan for Current Year Findings and Questioned Costs. The Housing Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

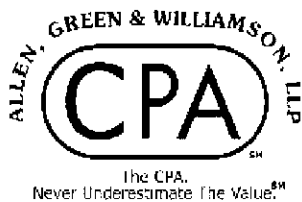
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Office of the Louisiana Legislative Auditor as a public document.



ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
September 30, 2014



ALLEN, GREEN & WILLIAMSON, LLP

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Report on Compliance For Each Major Federal Program; and Report on Internal Control Over Compliance Required by OMB Circular A-133

Independent Auditor's report

Board of Commissioners
Housing Authority of the City of Hammond
Hammond, Louisiana

Report on Compliance for Each Major Federal Program

We have audited Housing Authority of the City of Hammond's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Housing Authority's major federal programs for the year ended December 31, 2013. The Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Housing Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Housing Authority's compliance.

Basis of Qualified Opinion on Section 8 Housing Choice Voucher Program

As described in the accompanying Schedule of Findings and Questioned Costs, the Housing Authority did not comply with requirements regarding CFDA# 14.871 Section 8 Housing Choice Voucher Program as described in finding 2013-004 for reporting. Compliance with such requirements is necessary, in our opinion, for the Housing Authority to comply with the requirements applicable to that program.

Qualified Opinion on Section 8 Housing Choice Voucher Program

In our opinion, except for the noncompliance described in the Basis of Qualified Opinion paragraph, the Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Section 8 Housing Choice Voucher Program for the year ended December 31, 2013.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2013-003 for the Section 8 Housing Choice Voucher Program. Our opinion on each major federal program is not modified with respect to these matters. Furthermore, there was an additional instance of noncompliance noted, which is required to be reported in accordance with OMB Circular A-133, and is described in the accompanying Schedule of Findings and Questioned Costs as item 2013-005 for the Continuum of Care program. The Continuum of Care Program was not tested as a major federal program; however, the finding resulted from other audit procedures.

The Housing Authority's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan for Current Year Findings and Questioned Costs. The Housing Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal

control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2013-004 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2013-003 to be a significant deficiency.

The Housing Authority's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan for Current Year Findings and Questioned Costs. The Housing Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Office of the Louisiana Legislative Auditor as a public document.

Allen, Green & Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
September 30, 2014

**Housing Authority of the City of Hammond
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2013**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM NAME	CFDA NUMBER	EXPENDITURES
U.S. DEPT OF HOUSING AND URBAN DEVELOPMENT		
DIRECT PROGRAMS		
Section 8 Housing Choice Voucher Program	14.871	\$1,845,707
Supportive Housing Program	14.235	40,530
Continuum of Care Program	14.267	<u>134,805</u>
TOTAL U.S. DEPT OF HOUSING AND URBAN DEVELOPMENT		<u>2,021,042</u>
U.S. DEPARTMENT OF AGRICULTURE		
Rural Rental Housing Loans	10.415	<u>73,243</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u><u>\$2,094,285</u></u>

Housing Authority of the City of Hammond
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2013

NOTE 1 - GENERAL The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Housing Authority of the City of Hammond, Hammond, Louisiana (the "Housing Authority"). The Housing Authority reporting entity is defined in note 1(A) to the Housing Authority's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, is included on the schedule.

NOTE 2 - BASIS OF ACCOUNTING The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in note 1(C) to the Housing Authority's basic financial statements.

NOTE 3 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS Federal awards revenues are reported in the Housing Authority's basic financial statements as follows:

	Federal Sources
Jackson Square Rural Development	\$ 73,243
Tenant Based Rental Assistance	2,021,042
Total	<u>\$ 2,094,285</u>

NOTE 4 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with accounting principles generally accepted in the United States of America.

NOTE 5 - MAJOR FEDERAL AWARDS PROGRAMS The dollar threshold of \$300,000 was used to distinguish between Type A and Type B federal programs. For those funds that have matching revenues and state funding, federal expenditures were determined by deducting matching revenues from total expenditures. Federal awards do not include Housing Authority operating income from rents or investments (or other non-federal sources). In addition, the entire amount of operating subsidy received during the fiscal year is considered to be "expended" during the fiscal year.

**Housing Authority of the City of Hammond
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2013**

PART I - Summary of the Auditor's Results

Financial Statement Audit

- i. The type of audit report issued was qualified for the Tenant Based Rental Assistance fund and unmodified for the Jackson Square Rural Development fund.
- ii. There was one significant deficiency required to be disclosed by Government Auditing Standards issued by the Comptroller General of the United States of America. The significant deficiency was not considered to be a material weakness.
- iii. There was one instance of noncompliance, as defined by the Government Auditing Standards, to the financial statements.

Audit of Federal Awards

- iv. There were two significant deficiencies required to be disclosed by OMB Circular A-133. The significant deficiency 2013-004 was considered to be a material weakness.
- v. The type of report the auditor issued on compliance for major programs was qualified.
- vi. The audit disclosed three audit findings, which the auditor is required to report under OMB Circular A-133, Section .510(a). One of the audit findings was a result of other audit procedures and not as a result of testing the program as a major federal program.
- vii. The major federal program is:

CFDA# 14.871 Section 8 Housing Choice Voucher Program
- viii. The dollar threshold used to distinguish between Type A and Type B programs as described in OMB Circular A-133, Section .520(b) was \$300,000.
- ix. The auditee does qualify as a low-risk auditee under OMB Circular A-133, Section .530.

**Housing Authority of the City of Hammond
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2013**

PART II - Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:

Reference # and title: **2013-001** **Weak Accounting Controls**

Entity-wide or program/department specific: This finding is entity-wide.

Criteria or specific requirement: Effective internal controls include disbursements having original and adequate supporting documentation (invoices, receipts, etc.), proper approval, supported by evidence of receipt of goods or services, and should be paid timely. Disbursements should also not include sales tax due to the Housing Authority being sales tax exempted. Additionally, information used to develop accounting records should be readily available and reviewed timely. Periodic reviews should be performed to ensure that all transactions relating to the fiscal year have been recorded in the correct accounts and entered in the correct amount. Payroll records should have adequate written documentation for extra compensation paid to employees as well as adequately reviewed.

Condition found: In testing thirty-one vendor disbursements, other than housing assistance payments, the following was noted:

- Six disbursements noted in which sales tax was paid.
- Two disbursements noted which were not coded to the correct account.
- Seven disbursements noted in which the payments were made before obtaining supporting documentation such as receipt of goods or services, invoice, or mileage supporting documentation.
- One disbursement noted which could not be fully tested due to supporting documentation not being provided.

In testing travel expenditures, it was noted that the mileage rates being used were not in accordance with the Housing Authority's policy; however, it was noted that the travel policy was also outdated.

When testing salary for personnel, it was noted that additional payments were received by certain employees beyond normal salary for additional services provided. There was no documentation to support that the additional services provided were outside the normal working hours for which the employee was compensated. It was also noted that two employees' salaries were not in accordance with approved budgets.

In testing fringe benefits, it was noted that the Housing Authority was not providing the same benefits to all employees for the fiscal year ended December 31, 2013.

In the review of financial information, it was noted that not all accounts were being reconciled in a timely manner.

Proper perspective for judging the prevalence and consequences: The samples selected for testing included review and corroboration regarding bank reconciliations for the year, thirty-one vendor disbursements other than housing assistance payments, five administrative employees, two additional travel expenditures, and testing of fringe benefits for five employees.

Possible asserted effect (cause and effect):

Cause: The auditor was unable to determine the cause.

Effect: Internal controls over accounting functions are weakened.

View of Responsible Official: We concur with this finding; see correction action plan letter.

**Housing Authority of the City of Hammond
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2013**

PART II - Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:

Recommendations to prevent future occurrences: The Housing Authority should establish procedures over vendor and payroll disbursements which should include ensuring expenses are properly documented, properly approved, and do not include sales tax. Policies should be reviewed and updated to agree with the practices of the Housing Authority. Procedures should be established to ensure that additional payments made to employees properly document that additional services performed were outside the normal working hours. Additionally, amounts paid as salary to staff should be adequately documented in the employee's file and are in accordance with appropriate budgets.

Reference # and title: **2013-002** **Late Submission of Audit Report to Legislative Auditor and to the United States Department of Agriculture**

Entity-wide or program/department specific: This finding is entity-wide.

Criteria or specific requirement: The audit report should be filed timely to the Louisiana Legislative Auditors (LLA) within six months after year end, according to Louisiana R.S. 24:513A (5) (a) (i), and should also be filed with the United States Department (USDA) of Agriculture within six months after year end.

Condition found: The Housing Authority did not have the audited financials submitted to the LLA and the USDA in the required timeline.

Proper perspective for judging the prevalence and consequences: The audit report was not submitted by the June 30th deadline.

Possible asserted effect (cause and effect):

Cause: The Housing Authority had a change in the audit contract that was not approved in time to complete the audit and meet required deadlines.

Effect: The Housing Authority did not meet the compliance requirements of with the State of Louisiana and the USDA.

View of Responsible Official: We concur with this finding; see correction action plan letter.

Recommendation to prevent future occurrences: The Housing Authority should establish procedures to ensure the audit contract is signed and approved in time to complete the audit by the required deadlines.

**Housing Authority of the City of Hammond
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2013**

PART III - Findings and questioned costs for federal awards which are required to be reported under OMB Circular A-133 Section .510(a):

Reference # and title: **2013-003** **Rent Reasonableness Determination**

Federal program & specific federal award identification: The finding relates to the Section 8 Housing Choice Voucher program, CFDA #14.871, for the Federal Award Year 2013 received from Federal Agency: Department of Housing and Urban Development.

Criteria or specific requirement: According to 24 CFR 982.507, the Housing Authority must determine if the initial rent to owner is a reasonable rent before the lease is approved under the Section 8 Housing Choice Voucher program. In addition, if the landlord requests a change in rent during the year, the Housing Authority must also determine if the new rent change is considered reasonable. In order to determine reasonable rent, the unit must be compared to rent for other comparable, unassisted units based on location, quality, size, unit type, etc. The Housing Authority's policy states that the units are to be compared to at least two unassisted units that fall under the same criteria and amenities. Additionally, the Housing Authority's policy states the rent comparability should be updated every twelve months.

Condition found: In testing resident files for rent reasonableness, it was noted that the Housing Authority did not complete the rent reasonableness determination in accordance with the federal regulations as well as the Housing Authority's policy. The Housing Authority did not update the rent comparability within twelve months as required by the policy. When testing six files, one exception was noted in which the rent reasonableness determination showed the unit's rent exceeded rents being charged to unassisted units; however, the Housing Authority still reflected the unit as having reasonable rent.

Proper perspective for judging the prevalence and consequences: Six files were tested that required a rent reasonableness study. Of the six, there was one file that did not properly complete the rent reasonableness determination.

Possible asserted effect (cause and effect):

Cause: The auditor is unable to determine the cause.

Effect: The Housing Authority may not meet all federal requirements regarding rent reasonableness determination for special provisions and tests.

View of Responsible Official: We concur with this finding; see correction action plan letter.

Recommendations to prevent future occurrences: The Housing Authority should establish procedures to ensure that all staff is adequately trained and familiar with all federal requirements in regards to rent reasonableness as well as the Housing Authority's policy. They should also establish monitoring procedures to ensure the requirements are met.

**Housing Authority of the City of Hammond
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2013**

PART III - Findings and questioned costs for federal awards which are required to be reported under OMB Circular A-133 Section .510(a):

Reference # and title: **2013-004** **Test of Resident Files' 50058 Report**

Federal program & specific federal award identification: The finding relates to the Section 8 Housing Choice Voucher program, CFDA #14.871, for the Federal Award Year 2013 received from Federal Agency: Department of Housing and Urban Development.

Criteria or specific requirement: The Housing Authority must re-examine family income and composition at least once every 12 months and adjust the housing assistance payment (HAP) as necessary using the documentation from third party verifications (24CFR section 982.516). As a condition of admission or continued occupancy, the resident and other family members must provide necessary information, documentation, and releases for the Housing Authority to verify income eligibility (24CFR sections, 5.230, 5.609, and 982.516). The Housing Authority is required to submit Form 50058 electronically to HUD each time the Housing Authority completes an admission, annual reexamination, interim reexamination, portability move in, other changes of unit for a family. Several line items on this form must agree to documentation in the file (24CFR part 908 and 24CFR section 982.158). In testing the 50058 report, the amounts paid by the Housing Authority was traced to the 50058 to ensure the calculation of the tenant portion and the Housing Authority's portion of rent was correct.

Condition found: The following exceptions were noted in a test of forty-six resident files:

- Thirty-five files noted that were not updated with the correct, approved utility allowance, which resulted in a net underpayment of housing assistance payments of \$3,182 for the files tested for the fiscal year ended December 31, 2013.
- Five files noted in which the income or the deductions were not calculated correctly based on the information in the file.
- Two files noted that did not have all adult members sign the HUD form 9886.
- Three files noted where the 50058 form did not agree to the HAP register.
- Six files had exceptions noted when tracing the 50058 form to the amounts paid per the general ledger.

Proper perspective for judging the prevalence and consequences: The sample size consisted of forty-six Housing Choice Voucher Program resident files.

Possible asserted effect (cause and effect):

Cause: The auditor is unable to determine the cause.

Effect: Some resident files may not meet federal guidelines regarding reporting.

View of Responsible Official: We concur with this finding; see correction action plan letter.

Recommendations to prevent future occurrences: The Housing Authority should establish monitoring procedures to ensure that information in resident files is adequate, agrees to the Form 50058, and that the income calculation is correct. Additionally, procedures should be established to ensure that as new utility allowances are approved, the resident files are adjusted to the most correct and updated rates during the required annual re-examination.

**Housing Authority of the City of Hammond
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2013**

PART III - Findings and questioned costs for federal awards which are required to be reported under OMB Circular A-133 Section .510(a):

Reference # and title: **2013-005** **Allowable costs over Continuum of Care Program**

Federal program & specific federal award identification: The finding relates to the Continuum of Care Program (Transition Housing) program, CFDA #14.267, for the Federal Award Year 2013 received from Federal Agency: Department of Housing and Urban Development.

Criteria or specific requirement: Expenses paid for program costs should be supported by adequate proper documentation and for the actual costs incurred. Additionally, any expenses paid for program costs should be in accordance with program budgets.

Condition found: While testing payroll and vendor disbursements for the Housing Authority for substantive audit procedures, the following exceptions were noted regarding supporting documentation retained:

Vendor:

- One disbursement was tested for mileage; however, no proper supporting documentation was attached detailing actual miles driven and business purpose for the mileage.
- Two disbursements were noted in which sales tax was paid.
- One disbursement was noted that did not have proper supporting documentation for receipt of services/goods, in which it was determined that the expense was a prepayment.

Payroll:

- When agreeing the salary paid for employees to the amounts approved within the budget, it was noted that amounts paid exceeded the budgeted amounts.
- When testing salaries paid, it was also noted that employees, whom already are paid a salary from the Housing Authority, received extra vendor checks for amounts allowed within the budget. However, no supporting documentation could be provided to confirm that amounts received and budgeted were for services that were performed outside the normal working hours for which the employee was compensated.

Questioned Costs: Based on the testing of the vendor checks and payroll noted above, the questioned costs calculated were \$21,816.

Proper perspective for judging the prevalence and consequences: The sample size consisted of four vendor checks and the salary paid for three employees.

Possible asserted effect (cause effect):

Cause: The auditor was unable to determine the cause.

Effect: The Housing Authority did not meet federal requirements regarding allowable costs.

View of Responsible Official: We concur with this finding; see correction action plan letter.

Recommendations to prevent future occurrences: The Housing Authority should establish procedures to ensure that all expenses are supported with proper adequate supporting documentation and documentation reflecting the receipt of goods/services. Additionally, the Housing Authority staff should be adequately trained regarding program compliance.

Housing Authority of the City of Hammond
Corrective Action Plan for Current Year Findings and Questioned Costs
For the Year Ended December 31, 2013

Reference # and title: **2013-001** **Weak Accounting Controls**

Entity-wide or program/department specific: This finding pertains entity-wide.

Condition: Effective internal controls include disbursements having original and adequate supporting documentation (invoices, receipts, etc.), proper approval, supported by evidence of receipt of goods or services, and should be paid timely. Disbursements should also not include sales tax due to the Housing Authority being sales tax exempted. Additionally, information used to develop accounting records should be readily available and reviewed timely. Periodic reviews should be performed to ensure that all transactions relating to the fiscal year have been recorded in the correct accounts and entered in the correct amount. Payroll records should have adequate written documentation for extra compensation paid to employees as well as adequately reviewed.

In testing thirty-one vendor disbursements, other than housing assistance payments, the following was noted:

- Six disbursements noted in which sales tax was paid.
- Two disbursements noted which were not coded to the correct account.
- Seven disbursements noted in which the payments were made before obtaining supporting documentation such as receipt of goods or services, invoice, or mileage supporting documentation.
- One disbursement noted which could not be fully tested due to supporting documentation not being provided.

In testing travel expenditures, it was noted that the mileage rates being used were not in accordance with the Housing Authority's policy; however, it was noted that the travel policy was also outdated.

When testing salary for personnel, it was noted that additional payments were received by certain employees beyond normal salary for additional services provided. There was no documentation to support that the additional services provided were outside the normal working hours for which the employee was compensated. It was also noted that two employees' salaries were not in accordance with approved budgets.

In testing fringe benefits, it was noted that the Housing Authority was not providing the same benefits to all employees for the fiscal year ended December 31, 2013.

In the review of financial information, it was noted that not all accounts were being reconciled in a timely manner.

Corrective action plan: See corrective action plan letter at pages 55-57.

Person responsible for corrective action plan:

Delores Tillman., Executive Director
Housing Authority of the City of Hammond
411 W Coleman Ave.
Hammond, LA 70403

Anticipated completion date: Immediately.

Reference # and title: **2013-002** **Late Submission of Audit Report to Legislative Auditor and to the United States Department of Agriculture**

Entity-wide or program/department specific: This finding is entity-wide.

Condition: The audit report should be filed timely to the Louisiana Legislative Auditors (LLA) within six months after year end, according to Louisiana R.S. 24:513A (5) (a) (i), and should also be filed with the United States Department (USDA) of Agriculture within six months after year end.

Housing Authority of the City of Hammond
Corrective Action Plan for Current Year Findings and Questioned Costs
For the Year Ended December 31, 2013

The Housing Authority did not have the audited financials submitted to the LLA and the USDA in the required timeline.

Corrective action plan: See corrective action plan letter at pages 55-57.

Person responsible for corrective action plan:

Delores Tillman., Executive Director
Housing Authority of the City of Hammond
411 W Coleman Ave.
Hammond, LA 70403

Anticipated completion date: Immediately.

Reference # and title: **2013-003** **Rent Reasonableness Determination**

Federal program & specific federal award identification: The finding relates to the Section 8 Housing Choice Voucher program, CFDA #14.871, for the Federal Award Year 2013 received from Federal Agency: Department of Housing and Urban Development.

Condition According to 24 CFR 982.507, the Housing Authority must determine if the initial rent to owner is a reasonable rent before the lease is approved under the Section 8 Housing Choice Voucher program. In addition, if the landlord requests a change in rent during the year, the Housing Authority must also determine if the new rent change is considered reasonable. In order to determine reasonable rent, the unit must be compared to rent for other comparable, unassisted units based on location, quality, size, unit type, etc. The Housing Authority's policy states that the units are to be compared to at least two unassisted units that fall under the same criteria and amenities. Additionally, the Housing Authority's policy states the rent comparability should be updated every twelve months.

In testing resident files for rent reasonableness, it was noted that the Housing Authority did not complete the rent reasonableness determination in accordance with the federal regulations as well as the Housing Authority's policy. The Housing Authority did not update the rent comparability within twelve months as required by the policy. When testing six files, one exception was noted in which the rent reasonableness determination showed the unit's rent exceeded rents being charged to unassisted units; however, the Housing Authority still reflected the unit as having reasonable rent.

Corrective action plan: See corrective action plan letter at pages 55-57.

Person responsible for corrective action plan:

Delores Tillman., Executive Director
Housing Authority of the City of Hammond
411 W Coleman Ave.
Hammond, LA 70403

Anticipated completion date: Immediately.

Housing Authority of the City of Hammond
Corrective Action Plan for Current Year Findings and Questioned Costs
For the Year Ended December 31, 2013

Reference # and title: **2013-004** **Test of Resident Files' 50058 Report**

Federal program & specific federal award identification: The finding relates to the Section 8 Housing Choice Voucher program, CFDA #14.871, for the Federal Award Year 2013 received from Federal Agency: Department of Housing and Urban Development.

Condition: The Housing Authority must re-examine family income and composition at least once every 12 months and adjust the housing assistance payment (HAP) as necessary using the documentation from third party verifications (24CFR section 982.516). As a condition of admission or continued occupancy, the resident and other family members must provide necessary information, documentation, and releases for the Housing Authority to verify income eligibility (24CFR sections, 5.230, 5.609, and 982.516). The Housing Authority is required to submit Form 50058 electronically to HUD each time the Housing Authority completes an admission, annual reexamination, interim reexamination, portability move in, other changes of unit for a family. Several line items on this form must agree to documentation in the file (24CFR part 908 and 24CFR section 982.158). In testing the 50058 report, the amounts paid by the Housing Authority was traced to the 50058 to ensure the calculation of the tenant portion and the Housing Authority's portion of rent was correct.

The following exceptions were noted in a test of forty-six resident files:

- Thirty-five files noted that were not updated with the correct, approved utility allowance, which resulted in a net underpayment of housing assistance payments of \$3,182 for the files tested for the fiscal year ended December 31, 2013.
- Five files noted in which the income or the deductions were not calculated correctly based on the information in the file.
- Two files noted that did not have all adult members sign the HUD form 9886.
- Three files noted where the 50058 form did not agree to the HAP register.

Six files had exceptions noted when tracing the 50058 form to the amounts paid per the general ledger.

Corrective action plan: See corrective action plan letter at pages 55-57.

Person responsible for corrective action plan:

Delores Tillman., Executive Director
Housing Authority of the City of Hammond
411 W Coleman Ave.
Hammond, LA 70403

Anticipated completion date: Immediately.

Reference # and title: **2013-005** **Allowable costs over Continuum of Care Program**

Federal program & specific federal award identification: The finding relates to the Continuum of Care Program (Transition Housing) program, CFDA #14.267, for the Federal Award Year 2013 received from Federal Agency: Department of Housing and Urban Development.

Condition: Expenses paid for program costs should be supported by adequate proper documentation and for the actual costs incurred. Additionally, any expenses paid for program costs should be in accordance with program budgets.

While testing payroll and vendor disbursements for the Housing Authority for substantive audit procedures, the following exceptions were noted regarding supporting documentation retained:

Housing Authority of the City of Hammond
Corrective Action Plan for Current Year Findings and Questioned Costs
For the Year Ended December 31, 2013

Vendor:

- One disbursement was tested for mileage; however, no proper supporting documentation was attached detailing actual miles driven and business purpose for the mileage.
- Two disbursements were noted in which sales tax was paid.
- One disbursement was noted that did not have proper supporting documentation for receipt of services/goods, in which it was determined that the expense was a prepayment.

Payroll:

- When agreeing the salary paid for employees to the amounts approved within the budget, it was noted that amounts paid exceeded the budgeted amounts.
- When testing salaries paid, it was also noted that employees, whom already are paid a salary from the Housing Authority, received extra vendor checks for amounts allowed within the budget. However, no supporting documentation could be provided to confirm that amounts received and budgeted were for services that were performed outside the normal working hours for which the employee was compensated.

Based on the testing of the vendor checks and payroll noted above, the questioned costs calculated were \$21,816.

Corrective action plan: See corrective action plan letter at pages 55-57.

Person responsible for corrective action plan:

Delores Tillman., Executive Director
Housing Authority of the City of Hammond
411 W Coleman Ave.
Hammond, LA 70403

Anticipated completion date: Immediately.



CORRECTIVE ACTION PLAN

September 26, 2014

U.S. Department of Housing and Urban Development

To Whom It May Concern:

The Housing Authority for the City of Hammond respectfully submits the following corrective action plan for the year ended December 31, 2013. I would like to take this opportunity to inform you of some major changes within our agency. A new Executive Director came to the Hammond Housing Authority September 1, 2013. Since that time I have worked very hard and done numerous actions to bring our agency up to meet the HUD guidelines, as this is my main interest. The housing authority has begun training for the employees, such as, Nan McKay Housing Quality Standards Inspection training and Executive and Assistant Director training from Mr. Morgan with DL Morgan and Associates. Regarding Rural Development, we have received training from Zebbert and Associates. I am also in the process of obtaining training for financial procedures and the Continuum of Care grant. I request your consideration of these actions.

Name and Address of independent public accounting firm:

Allen, Green & Williamson, CPA
2441 Tower Drive
P O Box 6075
Monroe, LA 71211-6075

Audit Period January 1, 2013 – December 31, 2013

2013 – 001 Weak Accounting Controls

Action Taken:

The Agency issued tax exempt forms for use at the time of purchasing. All purchase requests will be submitted to the Executive Director for approval to ensure no sales tax is paid.

The Executive Director will work more closely with the fee accountant to ensure all disbursements are coded to the correct account.

All staff will receive training on what proper documentation consists of to ensure disbursements are properly documented.

The Executive Director will ensure all proper supporting documentation is received for all disbursements or the disbursements will not be paid.

The Executive Director and the fee accountant have had several meetings with the Continuum of Care employees since her new position began. The Executive Director will ensure the employees have an understanding of required proper documentation and agency wide forms have been issued to Continuum of Care Employees. All forms and proper documentation will be received before any disbursements are made.

2013 – 002 Late submission of Audit Report to LA and USDA

Action Taken:

The Agency will ensure the audit contract is signed and approved in a timely manner to meet the required deadline.

2013 – 003 Rent Reasonableness Determination

Action Taken:

The Agency has started contacting several local landlords and also researched online to complete a comparability study as required by the current policy. The Agency will also ensure that all rent reasonableness is done correctly according to the 24 CFR 982.507.

2013 – 004 Test of Resident Files' 50058 Report

Action Taken

The Agency has put into place a double check and balance system to ensure all required information is received and entered correctly. One employee will enter the information, and another employee will double check that information received was accurate, complete and entered correctly.

The Agency has already begun the process of entering the correct utility allowance schedules for the proper year used.

2013 – 005 Allowable costs over Continuum of Care Program

Action Taken:

The Executive Director has given an agency wide form to record all mileage expenses. This proper form will be received from Continuum of Care employees before any disbursements for mileage. The Executive Director will ensure the procedure is understood and followed.

The Agency issued tax-exempt forms for use at the time of purchasing. All purchase requests will be submitted to the Executive Director for approval to ensure no sales tax is paid.

The Agency will ensure no additional disbursements will be prepaid.

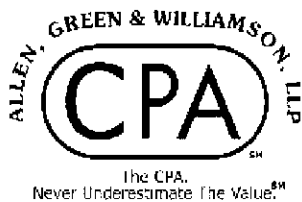
The Executive Director has read the 24CFR578 and discussed the proper procedure with the Continuum of Care employees. The Agency will ensure all Continuum of Care grant employees receive the proper training on the policies and procedures of the grant.

A handwritten signature in black ink, appearing to read "Delores T. L.", written over a horizontal line.

Delores Tillman
Executive Director

A handwritten date "9/26/14" in black ink, written over a horizontal line.

Date



ALLEN, GREEN & WILLIAMSON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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Principal: Cindy Thomason, CPA

Matt Carmichael, CPA
Diane Ferschoff, CPA
Jaime Esswein, CPA, CFE
Jaunicia Mercer, CPA, CFE

Ernest L. Allen, CPA
(Retired) 1963 - 2000

Management Letter

Board Members
Housing Authority of the City of Hammond
Hammond, Louisiana

In planning and performing our audit of the financial statements of each major fund of the Housing Authority of the City of Hammond, as of and for the year ended December 31, 2013, which collectively comprise the Housing Authority's basic financial statements, we considered the Housing Authority's internal control to plan our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control.

However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated September 30, 2014, on the financial statements of the Housing Authority. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments and management's responses are summarized as follows:

2013-M001 **Employee Status Regarding La. Civil Service**

Comment: When testing payroll across the staff employed by the Housing Authority, it was noted that not all employees have been filed with the Louisiana Civil Service as an employee of the Housing Authority. The Housing Authority considered two employees to be grant employees and thus exempted from Louisiana Civil Service filing.

Recommendation: The Housing Authority should obtain an opinion from the Louisiana Civil Service as to the correct filing status of employees that are hired as a result of a grant obtained and are only charged to that grant.

Management Response: The Housing Authority has already contacted the Louisiana Civil Service and stated the procedure of getting this corrected.

Our audit procedures are designed primarily to enable us to form opinions on the financial statements of each major fund of the Housing Authority, as of and for the year ended December 31, 2013, which collectively comprise the Housing Authority's basic financial statements, and therefore, may not reveal all weaknesses in policies and procedures that may exist.

Also included are management's responses to our current year management letter items. We have performed no audit work to verify the content of the responses.

This report is intended solely for the information and use of the Board, management, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513 this report is distributed by the Office of the Louisiana Legislative Auditor as a public document.

Allen, Green & Williamson, LLP

Allen, Green & Williamson, LLP

Monroe, Louisiana
September 30, 2014